BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/SKV/AJ/30191]

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT,1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICERS), RULES, 1995

In respect of

Jils Raichand Madan

(PAN:AGKPM3175A)

In the matter of preferential allottees by the Company Aadhaar Venture India Limited.

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') had conducted investigation for the matters pertaining to funding, if any, by the Aadhaar Ventures India Limited (hereinafter referred to as "**AVIL**" or "**Aadhaar"** or "**Noticee 1**" or "**Company**") to the preferential allottees for the preferential allotments carried out by the company during the period January 01, 2009 to April 24, 2015. During this period the company had made three preferential allotments i.e. in 2009, two preferential allotments (47 entities) and during 2013, one preferential allotment (31 entities). The focus of investigation in the present case was to examine funding, if any, by the company to the preferential allottees in respect of the preferential allotment dated March 11, 2013. Thus, the period of investigation was considered as 15.01.2013 (i.e. EGM approving the preferential allotment) to 11.03.2013 (i.e. Date of Board Meeting for allotment of shares) (hereinafter referred to as "**Investigation Period"/** "**IP**"). The focus of investigation was to ascertain whether there was any violations of SEBI Act, 1992, (hereinafter referred to as **"SEBI Act")** and/or SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market), 2003 (hereinafter referred to as "**SEBI (PFUTP) Regulations**") with respect to funding by the company, if any, to the preferential allottees in connection with the preferential allotment dated 11.03.2013.

2. Pursuant to the investigation, Adjudication proceedings under section 15HA of SEBI Act was initiated against the Company, the Noticee (viz. Jils Raichand Madan, Executive Director of AVIL), and other directors, who had made preferential allotment without complying with the provisions of Regulations 77(1) of Chapter VII of the Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as **"SEBI ICDR Regulations"**) and thus violated provisions of Section 12A(a), (b), (c) of SEBI Act, 1992 r/w Reg. 3(a), (b), (c), (d) & 4(1) of PFUTP Regulations.

3. Competent Authority, in exercise of the powers under section 19 of the SEBI Act, read with Section 15-I of the SEBI Act read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the **"SEBI Adjudication Rules"**) and section 23-I of SCRA read with Rule 3 of the Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005 (hereinafter referred to as the **"SCRA Adjudication Rules"**) appointed Mr. N. Hariharan, Chief General Manager as Adjudicating Officer (AO) vide order dated June 09, 2022 and the communiqué dated June 15, 2022 to inquire into and adjudge under section 15HA of SEBI Act, 1992 and section 23E of the SCRA. Pursuant to internal restructuring, Mr. Vijayant Verma (herein referred to as "erstwhile AO") was been appointed as the AO in the instant matter vide order dated October 03, 2022 and communiqué dated October 06, 2022.

4. A common Show Cause Notice dated December 21, 2022 (hereinafter referred to as "**SCN**") was inter-alia issued to the Noticees by the erstwhile AO under Rule 4 of the Adjudication Rules to show cause as to why an inquiry should not be initiated and penalty be not imposed under section 15HA of the SEBI Act and 23E of SCRA Act for the alleged violations specified in the SCN.

5. The erstwhile AO, vide common Adjudication Order dated February 27, 2023, (hereinafter referred to as '**Adjudication order'**), concluded that Noticee viz. (viz. Jils Raichand Madan Director of AVIL), was liable for the violations of the provisions of Regulations 77(1) of Chapter VII of the ICDR Regulations and 12A(a), (b), (c) of SEBI Act, 1992 r/w Reg. 3(a), (b), (c), (d) & 4(1) of PFUTP Regulations.

6. Thereafter, an appeal, Appeal No. 811 of 2023, was filed before Hon'ble Securities Appellate Tribunal ("**Hon'ble SAT"**) by the Noticee challenging the aforementioned Adjudication order,

alleging that he was never served the SCN and that he was not given an opportunity for hearing. The Hon'ble SAT, vide order dated October 18, 2023 (hereinafter referred to as "**SAT Order**"), set aside the Adjudication order against the Noticee and remitted the matter to the Adjudicating Officer for passing a fresh order after serving a copy of the SCN to the Noticee. The relevant extracts of the aforementioned order of Hon'ble SAT are reproduced hereunder:

"4. In this regard, we find from a perusal of table 1 and 2 that the notices were delivered through email. The contention of the appellant is, that the email ID and the address given on page 44 i.e. a show cause notice is incorrect. In support of his submission, the appellant has placed his Aadhar Card and Driving License, which shows a different address.

5. In similar circumstances notice no. 2 Omprakash Khandelwal also approached this Tribunal by filing Appeal No. 532 of 2023 against the same order which was also set aside on the ground that the said notice was not given an opportunity of hearing. Considering the aforesaid and giving the benefit of doubt, we are of the opinion, that the appellant should be given an opportunity of being heard.

7. In view of the aforesaid, the impunged order in so far as it relates to the appellant cannot be sustained and is set aside. The appeal is allowed. The matter is remitted to AO to decide the matter afresh in accordance with law after serving the show cause notice and after giving opportunity of hearing.

8. In this regard, the appellant shall appear before the AO on October 30, 2023 on which date the appellant will be served with the show cause notice and the matter will proceed from there onwards in accordance with the law."

APPOINTMENT OF ADJUDICATING OFFICER

9. In accordance with the aforesaid Hon'ble SAT Order of Hon'ble SAT, SEBI, vide its order dated October 23, 2023 appointed the undersigned as the AO under Section 19 of SEBI Act read with Section 15I(1) and Rule 3 of Adjudication Rules to inquire into and adjudge under the provisions of Section 15HA of SEBI Act, the alleged violation of provisions of Section 12A(a),(b),(c) of SEBI Act read with Regulations 3(a),(b),(c),(d) and Regulation 4(1) of PFUTP

Regulations, 2003 (hereinafter referred to as **"SEBI (PFUTP) Regulations")** and Regulation 77 (1) of Chapter VII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as **"SEBI (ICDR) Regulations"**) by the Noticee.

SHOW CAUSE NOTICE, REPLY AND HEARING

10. Vide digitally signed email, as well as letter sent to the Noticee through Speed Post Acknowledgement due (herein after referred to as '**SPAD**') dated October 26, 2023, the appointment of the undersigned as AO in the matter was communicated to the Noticee and the Noticee was also advised to collect the SCN from the office of the undersigned on October 30, 2023, as directed by Hon'ble SAT. The letter dated October 26, 2023 was served on the Noticee on October 28, 2023 as per the SPAD card.

11. Vide letter dated October 26, 2023, the Noticee acknowledged the AO letter dated October 26, 2023 and submitted that SCN dated December 21, 2022 and order dated February 27, 2023 was never served to him. However, since Hon'ble SAT had set aside the matter qua him, he authorized Mr. Vikas Bengani, Advocate to represent him and make written and oral submissions on his behalf in the captioned matter.

12. In compliance with the directive of the Hon'ble SAT, an opportunity of personal hearing was granted to the Noticee on October 30, 2023. The Noticee was represented by his AR i.e. Mr. Vikas Bengani, Advocate, who acknowledged receipt of the SCN along with its annexures. Further, the AR requested for inspection of documents which was acceded to and scheduled for November 02, 2023. Subsequently, the AR inspected the documents on November 02, 2023 and the relevant extract of the investigation report along with annexures and annexures forming part of the SCN were provided to the AR.

13. Noticee submitted the reply to the SCN vide letters dated November 29, 2023 and November 30, 2023 wherein Noticee inter-alia submitted that a complaint was filed on behalf of his client with SEBI/ROC/BSE/Income Tax Department regarding misutilization of his client's name and documents and forging of his signature to appoint him as Director of the company namely Aadhaar Venture India Limited. AR also requested to keep the proceedings in abeyance till SEBI completed its investigation in the matter of his client's complaint.

14. The allegations made in the SCN is summarized below:

14.1 SEBI conducted an Investigation for the matters pertaining to funding, if any, by the Aadhaar Ventures India Limited to the preferential allottees for the preferential allotment (31 entities) carried out by the company during the period January 15, 2013 (i.e. EGM approving the preferential allotment) to March 11, 2015 (i.e. Date of Board Meeting for allotment of shares)

14.2 The shareholders of the company in the Extra-Ordinary General Meeting held on January 15, 2013 approved the resolution for issue of 142,28,18,000 Equity Shares of Rs,1/- each, at a price of Rs.2/- (inclusive of premium of Rs.1/- per share) aggregating Rs.284,56,36,000/- to 33 allottees on preferential basis. Subsequently, two proposed preferential allottees were not found eligible under Regulation 72(2) of the Chapter VII of the ICDR Regulations. Pursuant to said ineligibility of the two preferential allottees the company has proceeded with the balance allotment of 134,52,48,000 equity shares to 31 allottees. It was also observed from the Annual Report of the company that for the FY 2011-12 the company had paid up share capital of Rs.22,57,21,000.00 and subsequent to the preferential issue of shares on 11.03.2013 the paid up share capital of the company for the FY 2012-13 was Rs.1,570,969,000/- i.e increase of Rs.1,345,248,000 (the number of shares issued by the company of face value of Rs.1/-).

14.3 The documents/information pertaining to the preferential allotment were sought from the company, Directors of the company, Preferential Allottees, Bombay Stock Exchange, Registrar and Share Transfer Agents of the company and Statutory Auditors of the company. The details of communications made and the responses received are detailed below:

14.3.1.1 Information pertaining to directors, promoters, compliance officer for the FY 2008-09 to 2015-16, bank statements and receipt of funds from the preferential allottees with respect to the preferential allotment dated March 11, 2013 was sought from the company. However, the company only provided PANs of 2 promoter entities and the list of Preferential Allottees for the preferential allotment made on March 11, 2013.

14.3.1.2 The information pertaining to preferential allotment and bank details of the company were also sought from the Directors of the company including the Noticee, through emails, letters and Summons. However, only one Director viz. Mr. Sombhai Sunderbhai Meena, responded to SEBI's email and no information pertaining to preferential allotment was provided by him or the other Directors of the company.

14.3.1.3 Information pertaining to the preferential allotment dated March 11, 2013 was sought from BSE. BSE submitted the details of preferential allottees and their UCC details but not the bank details of the company. Further, BSE provided copies of various documents such as application dated 18.03.2013 by the company for listing of equity shares issued on preferential basis, Extract of the Minutes of the meeting of Board of Directors dated 11.03.2013 for allotment of 134,52,48,000 equity shares to the preferential allottees, various certifications received from the Chartered Accountant and the Company Secretary regarding the various compliances made by the company w.r.t. preferential allotment etc.

14.3.1.4 Bank Account details of the company were obtained from the Annual Report for FY 2012-13 of the company available on BSE website. It was observed that during FY 2012-13 the company maintained 6 Bank Accounts with below mentioned four banks:

Table No. 5

Sr. no.	**Name of the Bank**	**Account No.**
1	Kotak Mahindra Bank (formerly ING Vysya Bank)	500011038946
		561011018620
2	Standard Chartered Bank	22506049678
3	Axis Bank Ltd	004010203163221
4	Karur Vysya Bank	2101115000002707
		2101115000005782

14.3.1.5 On examining the Bank Statements sought from the above Bank Accounts no credits were observed in the above bank account from the 31 preferential allottees during the period 15.01.2013 (i.e. EGM approving the preferential allotment) to 11.03.2013 (i.e. Date of Board Meeting for allotment of shares)

14.3.1.6 Information was sought from the Statutory Auditor of the Company however, the CA firm informed that the information sought was not readily available with them and therefore did not provide any information pertaining to the preferential issue.

14.3.1.7 The information pertaining to the allotment of shares to the 31 preferential allottees was sought from the Registrar and Share Transfer Agents of the company viz. M/s. Adroit Corporate Services Pvt Ltd (hereinafter referred as Adroit). Adroit inter-alia provided the *List of allottees along with distinctive share certificate numbers, dematerialisation/transaction statement of 31 allottees, submitted that four preferential allottees sold the shares in physical mode. Further, apart from the four allottees all other 27 allottees have sold their shares allotted to them in the preferential allotment dated 11.03.2013. Details of the two preferential allottees who were holding shares in demat form and two preferential allottees who were holding the shares in physical form was also provided.*

14.3.1.8 Information had been sought from the preferential allottees by various emails/summons. In response, only 7 out of 31 preferential allottees *viz*. Empower India Ltd, Nirvana Mall Management Co Pvt Ltd, Speciality Papers Ltd, L N Industries Ltd, Pavitra Mall Management Co Pvt Ltd, Gill Entertainment Pvt Ltd and Harrods Trading Pvt Ltd provided the information pertaining to their payments towards the said preferential allotment. The details of the information provided by 7 preferential allottees regarding their payments toward the said preferential allotment along with the detail has been provided in the following paras:

14.3.1.8.1 **Empower India Ltd:** Details of payments towards the said preferential allotment are as under:

<u>Table No. 7</u>

Sr. No	Date of Payment	Name of the Bank from which the payment released	Amount Paid
1	15-12-2010	YES Bank	50,00,000
2	15-01-2011	YES Bank	50,00,000
3	21-01-2011	YES Bank	30,00,000
4	04-02-2011	YES Bank	1,26,00,000
5	10-02-2011	YES Bank	25,00,000
8	22-03-2011	ING Vysya Bank Ltd	1,40,00,000
9	22-03-2011	ING Vysya Bank Ltd	1,30,00,000
10	24-03-2011	ING Vysya Bank Ltd	1,40,00,000
11	25-03-2011	ING Vysya Bank Ltd	2,59,00,000
12	25-03-2011	ING Vysya Bank Ltd	1,40,00,000
13	29-03-2011	ING Vysya Bank Ltd	22,500
14	30-03-2011	ING Vysya Bank Ltd	27,27,500
15	29-07-2011	ING Vysya Bank Ltd	25,00,000
16	31-03-2012	ING Vysya Bank Ltd	26,65,000
17	31-03-2012	ING Vysya Bank Ltd	76,15,000
		Total	**12,45,30,000**

It is observed that as per the share price fixed by the company i.e. Rs.2/- per share for the said preferential allotment, the entity was required to pay Rs.12,45,00,000/-, however, the entity has paid Rs.12,45,30,000/- i.e. Rs. 30,000/- excess. The entity did not respond to clarification sought by SEBI in respect of the excess payment.

14.3.1.8.2 **Nirvana Mall Management Co Pvt Ltd.:** Details of payments towards the said preferential allotment are as under:

Table No. 8

Sr. No	Date of Payment	Particulars	Amount
1	16-07-2011	ING Vysya Bank Ltd A/c No.500011038946	50,00,000
2	20-07-2011	ING Vysya Bank Ltd A/c No.500011038946	50,00,000
3	20-07-2011	ING Vysya Bank Ltd A/c No.500011038946	20,00,000
4	27-07-2011	ING Vysya Bank Ltd A/c No.500011038946	25,00,000

5	27-07-2011	ING Vysya Bank Ltd A/c No.500011038946	70,00,000
8	27-07-2011	ING Vysya Bank Ltd A/c No.500011038946	50,00,000
9	27-07-2011	ING Vysya Bank Ltd A/c No.500011038946	1,75,00,000
10	28-07-2011	ING Vysya Bank Ltd A/c No.500011038946	1,30,00,000
11	28-07-2011	ING Vysya Bank Ltd A/c No.500011038946	70,00,000
12	28-07-2011	ING Vysya Bank Ltd A/c No.500011038946	1,75,00,000
		Total	**8,15,00,000**

From the above, it is noted that the entity was allotted 4,07,50,000 shares @Rs.2/- per share (including a premium of Rs.1/- per share) and the entity had paid an amount of Rs.8,15,00,000/- in 12 instalments during the period 16.07.2011 to 28.07.2011.

14.3.1.8.3 . **Specialty Papers Ltd:** Details of payments towards the said preferential allotment are as under:

Table No. 9

Sr. No	Date of Payment	Particulars	Amount
1	01-02-2011	Axis Bank Ltd A/c.004010203163221	98,50,000
2	01-02-2011	Axis Bank Ltd A/c.004010203163221	96,50,000
3	15-02-2011	Standard Chartered Bank Ltd A/c No. 22506049678	77,80,000
4	28-02-2011	Standard Chartered Bank Ltd A/c No. 22506049678	1,50,00,000
5	28-02-2011	Standard Chartered Bank Ltd A/c No. 22506049678	1,87,20,000
6	29-03-2011	ING Vysya Bank Ltd A\c No.500011038946	3,00,00,000
7	26-07-2011	ING Vysya Bank Ltd A\c No.500011038946	45,00,000
8	10-08-2011	ING Vysya Bank Ltd A\c No.500011038946	7,00,000
9	01-02-2012	ING Vysya Bank Ltd A\c No.500011038946	50,00,000

10	22-02-2012	ING Vysya Bank Ltd A\c No.500011038946	1,50,000
11	26-03-2012	ING Vysya Bank Ltd A\c No.500011038946	1,00,00,000
12	31-03-2012	ING Vysya Bank Ltd A\c No.500011038946	91,15,000
	11-03-2013	Speciality Papers Ltd (Journal entry)	(5,000)
		Total	**12,04,60,000**

The above entity vide email dated 25.02.2021 had provided its ledger account towards the payment of preferential amount to AVIL instead of its bank statement which contained two entries viz. Rs.1,00,00,000/- paid on 15.02.2011 and Rs.40,00,000/- paid on 08.07.2011. Subsequently, the entity vide email dated 05.08.2021 informed that the aforesaid two payments were made towards the purchase of convertible equity warrants issued by the company on 19.05.2011 and not towards the preferential allotment dated 11.03.2013. The entity has also shown Rs.5000/- differential amount as adjustment in the ledger.

14.3.1.8.4 **L N Industries India Ltd (formerly LN Polyesters Ltd) :** It was noted from the documents provided by BSE that L N Industries India Ltd was allotted 1,57,00,000 shares @ Rs.2/- per share. Details of payments towards the said preferential allotment are as under:

Table No. 10

Sr. No	Date of Payment	Name of the Bank from which the payment released	Amount Paid
1	04-02-2011	YES Bank	1,24,00,000
2	08-02-2011	YES Bank	50,00,000
3	19-04-2012	YES Bank	5,00,000
4	04-05-2012	ING Vysya Bank Ltd	1,75,00,000
5	04-05-2012	ING Vysya Bank Ltd	35,00,000
		Total	**3,89,00,000**

The entity submitted that it was allotted 1,57,00,000 shares @ Rs.2/- per share in the aforesaid preferential allotment and was required to pay Rs.3,14,00,000/-. However, it was observed from the information provided by the entity vide email dated 09.09.2021 that it had paid Rs.3,89,00,000/- instead of Rs.3,14,00,000/-. Thus, the entity has paid Rs.75,00,000 excess. The entity has expressed its inability to provide the information and clarification to the queries raised by SEBI.

14.3.1.8.5 **Pavitra Mall Management Co Pvt Ltd.: D**etails of payments made by it towards the said preferential allotment are as under:

Table No. 11

Sr. No	**Date of Payment**	**Particulars**	**Amount**
1	14-03-2011	ING Vysya Bank Ltd	11,87,500
2	02-06-2011	ING Vysya Bank Ltd	90,00,000
3	02-06-2011	ING Vysya Bank Ltd	1,10,00,000
4	16-06-2011	ING Vysya Bank Ltd	99,00,000
5	16-06-2011	ING Vysya Bank Ltd	24,00,000
6	18-06-2011	ING Vysya Bank Ltd	1,00,00,000
7	11-07-2011	ING Vysya Bank Ltd	20,00,000
8	20-07-2011	ING Vysya Bank Ltd	1,05,00,000
9	24-08-2011	ING Vysya Bank Ltd	60,50,000
10	30-03-2012	ING Vysya Bank Ltd	10,00,000
	02-06-2011	(Journal entry)	(17,500)
		Total	**6,30,20,000**

It was observed from the entity's reply that it was allotted 3,15,10,000 shares @Rs.2/- per share (including a premium of Rs.1/- per share) and it has paid Rs.6,30,20,000/- in 10 instalments during the period 14.03.2011 to 30.03.2012.

14.3.1.8.6 **Harrods Trading Pvt Ltd.:** Details of payments made towards the said preferential allotment are as under:

Table No. 12

#	**Date of Payment**	**Particulars**	**Amount**
1	29-03-2011	Axis Bank A/c no.910020048808554	3,62,40,000

2	10-06-2011	Axis Bank A/c no.910020048808554	50,00,000
3	04-05-2012	Axis Bank A/c no.910020048808554	50,00,000
4	04-05-2012	Axis Bank A/c no.910020048808554	50,00,000
5	05-05-2012	Axis Bank A/c no.910020048808554	50,00,000
			5,62,40,000

It was ovserved from the entity's reply that it was allotted 2,81,20,000 shares @Rs.2/- per share (including a premium of Rs.1/- per share) and it has paid Rs.5,62,40,000/- in 5 instalments during the period 29.03.2011 to 05.05.2012.

14.3.1.8.7 Gill Entertainment Pvt Ltd : Details of payments made by the entity towards the said preferential allotment is as under:

Table No. 13

Sr. No	**Date of Payment**	**Particulars**	**Amount**
1	29-04-2011	ING Vysya Bank Ltd	1,83,00,000
2	01-06-2011	ING Vysya Bank Ltd	2,00,00,000
3	04-06-2011	ING Vysya Bank Ltd	3,00,00,000
4	28-06-2011	ING Vysya Bank Ltd	30,00,000
5	07-07-2011	ING Vysya Bank Ltd	65,00,000
6	22-07-2011	ING Vysya Bank Ltd	50,00,000
		Total	**8,28,00,000**

15. **The date-wise announcements made by the company with respect to the preferential allotment made in 2013 and its impact on price/ volume to the previous day's price/ volume is brought out in tabular form below:**

Table No. 14

Date/ Time of Announcement	Details of Announcement (in brief)	Closing Price			Traded Volume		
		Previous day	Announcement day	% increase / decrease	Previous day	Announce-ment day	% increase/ decrease
17-12-2012 20:03:33	A meeting of the Board of Directors of the Company will be held on December 18, 2012, *inter alia*, to consider, discuss and approve the issue of Convertible Equity Warrants / Equity Shares on preferential basis.	0.81	0.82	1.23	94,548	3,99,917	**322.98**
19-12-2012 17:59:34	• Issue of Equity Shares / Convertible Equity Warrants upto Rs. 325 crore on Preferential Basis; • To convene the Extra-Ordinary General Meeting (EOGM) of the Members of the Company on January 15, 2013.	0.83	0.84	(1.20)	1,70,925	1,24,990	(26.87)
15-01-2013 16:16:38	EOGM of the shareholders of the company held on 15-01-2013, *inter alia,* approved by requisite majority the resolution to issue, offer and allot 142,28,18,000 shares of Re.1/- each fully paid up, at price of Rs. 2/-, aggregating upto Rs. 284.56 crore to various investors on preferential basis.	0.98	0.98	No change in close to close price.	77,21,579	2,36,40,567	**206.16**
08-03-2013 16:26:15	A meeting of the Board of Directors of the Company will be held on 11-03-2013, *inter*	0.83	0.79	*(4.82)	14,284	1,97,932	**1,285.7**

Date/ Time of Announcement	Details of Announcement (in brief)	Closing Price			Traded Volume		
		Previous day	Announcement day	% increase / decrease	Previous day	Announce-ment day	% increase/ decrease
	alia, to consider and approve the allotment of equity shares on preferential basis to the allottees as approved by the members of the company in their EOGM held on 15-01-2013.						
12-03-2013 17:46:51	The Board of Directors of the Company at its meeting held on 11-03-2013, has issued and allotted 134,52,48,000 equity shares of Re. 1/- each to the non-promoter group on preferential basis.	0.76	0.73	*(3.95)	78,257	36,055	(53.93)

**The price took a downward trend after the announcement of financial result by the company for the quarter ended December 31, 2012 on February 16, 2013, which showed a substantial deficit in the net profit figures when compared to nine months ended December 31, 2011*

16. Role of Directors

16.1 As per Annual Report 2012-13, it was observed that the Noticee was the Executive Director of the Company. It is noted from the Extract of the Minutes of the Meeting of the Board of Directors of the company held on 11.03.2013 that the Chairman apprised the Board that the company had sought the approval for allotment of equity shares on preferential basis from its members in their Extra Ordinary General Meeting held on 15.01.2013 and company has also received the in-principle approval from the BSE Ltd for the said allotment through their letter dated 04.03.2013. The Chairman also informed the Board that the company has received the full application/ allotment monies from the allottees for issuing equity shares on preferential basis and for supporting such statement chairman placed the Bank Statement of the company before the Board.

16.2 The Company submitted the application letter dated 18.03.2013 to BSE for listing of equity shares issued under preferential allotment. Along with above letter, the company has submitted several documents to BSE. All the above documents were signed on behalf of company by Jyoti Munver who was the Non-Executive Independent Director of the company. He was also the Authorised Signatory for operating the bank accounts of the company.

16.3 It was observed from the Annual Report of the company for the FY 2012-13 that during the FY 2012-13 seven Board Meetings were held. The Noticee along with Omprakash Khandelwal, Managing Director had attended all seven Board Meetings and Jyoti Munver, Non-Executive Independent Director had attended six Board Meetings out of seven. The matter related to issue of shares on preferential basis was approved in the Board Meeting held on 18.12.2012 and the allotment of shares was made in the Board Meeting held on 11.03.2013.

17. The said preferential issue was to use the funds raised through preferential allotment for various expansion and diversification of the business and for meeting its requirement of present and future capital expenditure, working capital requirement arising out of the new business ventures and for other corporate purpose as may be required from time to time. As per the objects mentioned by the company the funds were to be utilised for the future expansions i.e. after receiving the funds in the preferential allotment. However, it was noted from the reply received from the 7 preferential allottees and the companies reply vide email dated 05.01.2022 that the funds were received by the company almost one to two years prior to the preferential allotment. Thus, the company did not disclose all the material information to the exchange on the events/information which would have had bearing on the performance/operations of the company as well as price sensitive information. In the view of aforesaid facts and circumstances, it is alleged that the company has not complied with disclosure requirements under Clause 36 of erstwhile Listing Agreement read with Section 21 of Securities Contract (Regulations) Act, 1956.

18. It was observed that during investigation period, there were no credits received in the bank accounts of the company from the 31 preferential allottees to whom 134,52,48,000 equity

shares were allotted. It was observed that the allotment of shares to the allottees on preferential basis without receiving the consideration was found to be an arrangement meant to create price and volume manipulation. Thus, for devising a fraudulent scheme of fund raising and giving an impression of capital infusion through preferential allotment, without actually receiving any monies towards the same from the preferential allottees, the Company, the Noticee, Omprakash Khandelwal, Managing Director and Jyoti Munver, Non-Executive Independent Director, were engaged in a fraudulent scheme of fund raising and allegedly violated the provisions of Regulations 77(1) of Chapter VII of the ICDR Regulations and 12A(a), (b), (c) of SEBI Act, 1992 r/w Reg. 3(a), (b), (c), (d) & 4(1) of PFUTP Regulations.

19. The Noticee vide letter/email dated November 29, 2023 and November 30, 2023 *inter-alia* submitted the following:

19.1 He refutes and denies that he was ever Director of the Aadhaar Ventures india Ltd.

19.2 He refutes and denies that he was part of any fraudulent scheme as alleged in the SCN.

19.3 He is presently employed with a private company

19.4 He did not complete his Secondary Education (SSC failed).

19.5 From 2013 to 2020 he was employed as a driver in Surat for an individual named Mr. Vinod Patel. Since Mr. Vinod Patel was deceased, he is willing to provide contact details of his wife Kalpana Patel to enable SEBI to inquire about his employment.

19.6 He has never traded in the securities market and has no knowledge about laws relating to Securities Market and establishment and operation of Companies.

19.7 He never agreed to serve as Director of any Company, including Aadhaar Ventures India Limited.

19.8 He has neither applied for Director's Identification Number (DIN), nor Digital Signature Certificate(DSC). His personal documents have been mis-utilised to obtain DIN and DSC without his knowledge and consent.

19.9 He was unaware of his appointment as a director of these companies.

19.10 He has not signed any documents to be appointed as the Director of any Company including Aadhaar.

19.11 His name and documents have been grossly misused and his signature forged to appoint him as Director of Aadhaar and other companies.

19.12 He has not paid a single penny to any of the Preferential Allottees of Aadhaar / Directors of Aadhaar / Aadhaar. Further, he has no connection or relation with the Preferential Allottees of Aadhaar / Directors of Aadhaar / Aadhaar.

19.13 He has been falsely shown to have:

19.13.1 attended 81 board meetings from the date of his purported appointed as Director till financial year ending March 31, 2023 in Aadhaar,

19.13.2 attended all Annual General Meetings;

19.13.3 held the position of Compliance officer and

19.13.4 been a member of various Committees, including the Audit Committee and Stakeholder's Relationship Committee of the Company.

19.14 The annexure to the Annual Report for FY 2010-11 providing details of Directors seeking appointment/re-appointment wrongly provides the age of the Noticee as 33 whereas at the time of the fraudulent appointment, viz May 08, 2010, the Noticee was 38 years old. Further, the annexure indicated that the Noticee possessed vast experience in the field of finance and excelled in market research and had made crucial contribution in identifying business opportunities. Additionally, it falsely claimed the Noticee headed the Financial Services Division with the Company.

19.15 Noticee presented discovery of documents filed by the Company to the Ministry of Corporate Affairs wherein Form 32, filed by Aadhaar on May 13, 2010 recorded the appointment of two new Directors, of which one was the Noticee. The said form was purportedly filed for the appointment of the Noticee as Additional Director. Form 32 has 3 various documents as attachments, one of which is the consent purportedly given by the Noticee. Further, the address mentioned in the consent letter as well as Form 32 does not match with the actual address of the Noticee. Further, the signature on the consent does not align with the signature of the Noticee.

19.16 The appointment of the Noticee was purportedly further regularized in the Annual General Meeting with effect from September 30, 2010 wherein the status transitioned from Additional Director to Director. Another Form 32 was filed with Registrar of Companies.

19.17 Consent filed with Form 32 and the Annual Returns are forged and fabricated as he never signed any such documents and he is willing to submit specimen signature for verification.

19.18 Further, he places reliance of the information and documents provided by BSE pertaining to Preferentail Allotment carried out by Aadhaar which purported contain his signature which he states is forged and fabricated.

19.19 Corporate Announcement made by Aadhaar on the website of BSE also display the signature of the Noticee which are forged and fabricated.

19.20 Noticee placed reliance on the statement given by Mr. Shirish Chandrakant Shah and Late Kumar Raichand Madan (brother of the Noticee) on oath recorded under Section 132 (4) and Section 131 respectively of the Income Tax Act before the Income Tax Authorities. Late Kumar Raidhand Madan agreed in the statement that on request of Mr. Shirish Chandrakant Shah, he has supplied many name lending Directors from even his own family, relatives, emplyees and other and for this service Mr. Shirish Chandrakant Shah promised him that he would be paid annually on per Company basis. He also stated that the name lending Directors did not have knowledge or information of the Company's affairs. It is on record that Mr. Shirish Chandrakant Shah himself or through his employees used to fake signature of the name lending Drirectors of the Companies controlled by him.

19.21 Further, he submitted that Mr. Shirish Chandrakant Shah, himself on oath on April 13, 2013 before the Income Tax Authorities agreed to the allegations/submissions made by Late Kumar Raichand Madan in his statement before the Income Tax Authorities. He also clarified that he was using various listed companies for providing accommodation entries of Share Capital / premium, Share application, unsecured loan, accommodation entries of bogus LTCG etc. Aadhaar being one of the companies, which provided such accommodation entry and which was being managed and controlled by him.

19.22 He also submitted that Late Kumar Raichand Madan, his brother and Mr. Shirish Chandrakant Shah, had misappropriated his personal documents for false appointment in various companies, including Aadhaar.

19.23 Noticee asserts that Mrs. Jasmeen Kumar Lodhya, wife of Late Kumar Raichand Madan, was ready to submit an affidavit affirming that the name and personal documents of the Noticee had been misused by her husband, Late Kumar Raichand Madan.

19.24 Noticee stated that the companies / preferential allottees viz. Allied Computers International Asia Ltd., Empower India Ltd., Dhanus Technologies Ltd., L N Industries India Ltd., Rosewood Vintrade Pvt. Ltd., Sonal Styles Pvt. Ltd., Prabhav Industries Ltd., Roho Real Estate Pvt. Ltd. and Nirvana Mall Management Co. Pvt. Ltd. are/were under the management and control of Mr. Shirish Chandrakant Shah, or Late Kumar Raichand Madan served as one of the directors in the aforesaid companies or the individuals serving as directors, lent their name, PAN,DIN and residence as directors for Mr. Shirish Chandrakant Shah.

19.25 Further, Noticee placed reliance on the KYC document presented by SEBI before the Hon'ble Tribunal during the course of hearing in Appeal No. 811 of 2023 wherein the Noticee appealed against the Adjudication Order dated 27.02.2023. In this KYC document, the address mentioned in the statement of (Late) Kumar Raichand Madan under oath before the Income Tax Authorities corresponds to that as indicated in the KYC documents of (Late) Kumar Raichand Madan. Further, the KYC document contains a verification by DENA Bank dated 1st July 2009, indicating that the savings account viz. 014610008357of the Noticee, held jointly with Mr. Kumar R Madan, has been active for five years with satisfactory operations. Noticee asserts that he has never provided consent nor applied for the opening of a savings bank account with DENA Bank, especially one held jointly with Kumar R Madan. The account was opened without the Noticee's knowledge and the Noticce's documents were misused for this purpose. Further, the KYC Document included a Ration Card bearing the names of both the Noticee and Mr. Kumar Raichand Madan. The Noticee submitted to never having applied for a Ration Card and the same does not belong to the Noticee. The address mentioned in the Ration Card belonged to the brother of the Noticee only. The Noticee never resided at the address mentioned in the Ration Card. The Noticee reiterated that the documents, which allegedly bear the signature of the Noticee, are, in fact, forged and fabricated signatures of the Noticee. The Noticee never signed any of these documents, and the signatures on them do not align with the specimen signature of the Noticee.

19.26 The Noticee has filed a complaint with the Registrar of Companies, Mumbai, Ahmedabad and Kolkata with an intention of prosecuting the Suspected Accused and also to secure declaration that the Forms filed on behalf of these Companies were fraudulently filed.

19.27 The Notice has also filed a complaint against misappropriation of his personal documents with BSE, Income Tax Authority and SEBI.

CONSIDERATION OF ISSUES AND FINDINGS

20. The issues that arise for consideration in the instant matter are:

Issue No. I Whether the Noticee is in violation of the provisions of Regulations 77(1) of Chapter VII of the ICDR Regulations and 12A(a), (b), (c) of SEBI Act, 1992 r/w Reg. 3(a), (b), (c), (d) & 4(1) of PFUTP Regulations.

Issue No. II If yes, whether the failure, on the part of the Noticee would attract monetary penalty under Section 15HA of the SEBI Act?

Issue No. III If yes, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5(2) of the Adjudication Rules?

21. In respect of the complaint forwarded by the Noticee to SEBI seeking to investigate the matter in depth as the issue pertains to a listed company, it is pertinent to note that an investigation has already been concluded in the said matter. However, it is up to the discretion of SEBI to further investigate the matter based on the complaint of the Noticee. Therefore, I do not agree with the contention of the Noticee to keep the said proceedings in abeyance.

22. From the material/records available and from the reply of the Noticee, I note that the Noticee has denied being part of a fraudulent scheme as alleged in the SCN. For the same he has placed reliance upon:

22.1.1 the statement of his late brother Kumar Raichand Madan recorded on oath on April 09, 2013 under Section 131 of the Income Tax Act, 1961, before the Income Tax Authorities wherein he has submitted that on the request of Mr. Shirish Chandrakant Shah, he has supplied many name lending Directors from his own family, relatives, employees and others and for this service he received a commission from Mr. Shirish Chandrakant Shah to be paid annually on per Company basis. He also used get their PAN, KYC details and signatures for making them directors in the companies of Mr. Shirish Chandrakant Shah. He also submitted that Mr. Shirish Chandrakant Shah used to make fake signatures (through his employee) of him, his family members, his friends, his employee and other acquantinces (who were name lending directors in the companies controlled by Mr. Shirish Chandrakant Shah) in various documents and company bank account cheques.

22.1.2 statement of Mr. Shirish Chandrakant Shah recorded on oath on April 13, 2013 under Section 132(40) of the Income Tax Act, 1961, before the Income Tax Authorities wherein he agreed to the allegations and / or submissions made by Mr. Kumar Raichand Madan in his statement before the Income Tax Authorities. He also submitted that most of the directors of companies controlled/managed/floated by him were identified/approached and contracted by Mr. Kumar Raichand Madan on his behalf and instruction for becoming directors only for namesake against certain amount paid to him.

22.2 He also presented discovery of documents filed by the Company to the Ministry of Corporate Affairs wherein Form 32, filed by Aadhaar on May 13, 2010 recorded the appointment of two new Directors, one of which was the Noticee. The said form was purportedly filed for the appointment of the Noticee as Additional Director. Form 32 has 3 various documents as attachments, one of which is the consent purportedly given by the Noticee. I note that the address mentioned in Form 32 does not match with the actual address of the Noticee.

22.3 He has asserted that Mrs. Jasmeen Kumar Lodhya, wife of Late Kumar Raichand Madan, was ready to submit an affidavit affirming that her husband had misused his name and personal documents.

22.4 From the reply of the Noticee, I note that the Noticee has refuted and denied that he was ever Director of the Aadhaar Ventures India Ltd. and that he was part of any fraudulent scheme as alleged in the SCN. He did not complete his Secondary Education and failed his SSC. He has never traded in the securities market and has no knowledge about laws relating to Securities Market and establishment and operation of Companies. He never agreed to serve as Director of any Company, including Aadhaar Ventures India Limited. He was unaware of his appointment as a director of these companies. Further, his name and documents have been grossly misused and his signature forged to appoint him as Director of Aadhaar and other companies. He only became aware of the proceedings initiated by SEBI when his bank accounts were attached by the SEBI Recovery department. His advocate downloaded a copy of the SCN and on perusal of the same, it came to light that the address and the email id mentioned on the SCN did not belong to the Noticee, hence he was never served with the SCN, hearing notices, notice of demand and notice of attachment as all of them bore the incorrect address as mentioned in the SCN. While noting the above contentions of the Noticee, I also find that the Noitcee has not filed any formal complaint of First Information Report **("FIR")** with the police till date w.r.t. his claim of forged signature on the documents appointing him as director of Aadhaar/other companies. In my view, if a Noticee can file an appeal before Hon'ble SAT and before the Adjudicating Authority, then he can also file a police complaint/FIR w.r.t. forgery done in his name.

22.5 As mentioned in the preceding paragraphs, Noticee placed reliance on the statement by Mr. Shirish Chandrakant Shah and Late Kumar Raichand Madan recorded before the Income Tax Authorities under oath and discovery of documents filed by the Company to MCA wherein the address mentioned in Form 32 does not match nor does the signature it bears, align with that of the Noticee. Therefore, there exists doubt and uncertainty regarding the Noticee being a director in the company and therefore being part of a fraudulent scheme of fund raising in respect of preferentially allotment in the matter of Aadhar Ventures India Ltd

23. It is a trite of law to state that the desideratum of clarity represents one of the most essential ingredients of legality. Therefore, I am of the view that in this case, the materials on record are not sufficient to establish the charges made against the Noticee in the SCN with certainty, clarity and conviction.

24. However, SEBI has the liberty to proceed against the Noticee, if the aforesaid information is found to be untrue at a later stage.

25. As the violations alleged the Noticee is not established, issues II and III do not merit consideration.

ORDER

26. In view of the findings noted in the preceding paragraphs, the SCN is disposed of *qua* the Noticee.

27. In terms of Rule 6 of the Adjudication Rules, copy of this order is sent to the Noticee and to also the Securities and Exchange Board of India.

Date: March 28, 2024	**SHASHI KUMAR VALSAKUMAR**
Place: Mumbai	**ADJUDICATING OFFICER**